

City of Williams

Water and Wastewater Increase

Rate Analysis

April 2015



City of Williams

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OVERVIEW

The City of Williams Water Utility Fund and Wastewater Utility Fund are responsible for providing water and sanitary sewer service to the community. These Funds are accounted for as enterprise funds. Enterprise funds are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the cost of providing the goods and services to the general public on a continuing basis be financed or recovered through user charges.

In order to achieve this goal, the City of Williams periodically reviews its user fees to determine if a rate adjustment is necessary. This report is prepared to comply with Arizona Revised Statutes §9-511.01 water and wastewater business; rates; and procedures.

The City of Williams Electric System has historically funded a significant amount of water supply development (well drilling) and other debt service for the Water and Wastewater Funds. The electric system continues to fund the majority of the debt service requirements for these Funds as well as new capital improvement projects such as new water wells. Current or planned capital improvement projects include:

Current or Planned Projects		
Project	Fiscal Year	Estimated Cost
ELECTRIC		
Kaibab Substation	FY15-FY18	\$1,650,000
Scheduled Conversion	FY15	\$70,000
Future Conversions	TBD	TBD
Scheduled Line Replacement	FY16	\$105,000
Future System Replacement	TBD	TBD
WATER		
Sweetwater Well	FY15-FY16	\$1,750,000
Scheduled Storage Replacement	FY17	\$200,000
Line Replacement	TBD	TBD
SEWER		
Effluent Storage Facility	FY16	\$150,000
Potable to Effluent Plant Conversion	FY16	\$88,500

Increasing debt service requirements and new capital projects in the Water and Wastewater Fund, combined with a reduction in available transfers from the Electric Fund, make a rate increase necessary commencing with the 15/16 Fiscal Year.

Utility Fund Revenue and Expense Summaries

City of Williams, Arizona					
Cash Flow Basis					
Utility Fund Operating Results and Projections approved with rate increase					
Fiscal Years 2015 - 2019					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Projected	Projected	Projected	Projected
Operating revenues					
Water Revenue	722,705	1,278,140	1,289,189	1,300,238	1,315,153
Water Connection/Misc Water	57,461	7,000	7,000	7,000	7,000
Sewer Revenue	1,057,786	2,132,665	2,151,075	2,169,485	2,194,400
Other Sewer Related	11,500	7,000	7,000	7,000	7,000
Uncollected (5%)	(89,025)	(170,540)	(172,013)	(173,486)	(175,478)
	1,760,427	3,254,265	3,282,251	3,310,237	3,348,075
Operating expenses					
Cost of sales and services	1,929,179	1,997,853	2,047,799	2,098,994	2,151,469
Total operating expenses	1,929,179	1,997,853	2,047,799	2,098,994	2,151,469
Operating income(loss)	(168,752)	1,256,412	1,234,451	1,211,243	1,196,606
Nonoperating revenues (expenses)					
Interest revenue	10,650	11,000	11,500	12,000	12,500
Total nonoperating revenue(expenses)	10,650	11,000	11,500	12,000	12,500
Income (loss) before operating transfers	(158,102)	1,267,412	1,245,951	1,223,243	1,209,106
Debt Service	1,619,155	1,986,746	1,987,255	1,809,357	1,863,638
Total Debt Service	1,619,155	1,986,746	1,987,255	1,809,357	1,858,865
Net Amount after debt service	(1,777,257)	(719,334)	(741,304)	(586,114)	(649,759)
Operating Transfers from electric system	1,100,000	719,334	741,304	586,114	649,759
Balance required from rate increase	(677,257)	(0)	0	(0)	0
% Increase		0%	0%	0%	0%

The chart above presents the current fiscal year of operation and the projected next four fiscal years on a cash basis. Note that the proposed rate change increases revenues to the point that transfers from the Electric Fund can be reduced in the coming years. This reduction will allow previously diverted Electric funds to instead be reinvested in the Electric Fund for Capital Improvements.

Current Customer Profile/Usage Distribution

The City analyzed its water and sewer customers' activity in detail, based on fiscal year 2014/2015. This historical data was used to develop a water model in order to allocate the required rate increases to each of the major customer groups.

Example: March 2015

COMMERCIAL	# OF CUSTOMERS	% TOTAL CUSTOMERS	GALLONS	% TOTAL USE
0-1,000	84	35%	33,000	0.83%
1,001 - 10,000	76	32%	326,000	8.24%
10,001 - 20,000	32	13%	471,000	11.91%
OVER 20,001	49	20%	3,126,000	79.02%
SUB - TOTALS	241	100%	3,956,000	100.00%

RESIDENTIAL	# OF CUSTOMERS	% TOTAL CUSTOMERS	GALLONS	% TOTAL USE
0-1,000	377	34%	189,000	6.42%
1,001 - 10,000	734	65%	2,531,000	85.97%
10,001 - 20,000	11	1%	153,000	5.20%
OVER 20,001	2	0%	71,000	2.41%
SUB - TOTALS	1,124	100%	2,944,000	100%

				% of Total Use
Commercial	0-1,000	33,000	0.48%	
	1,001 - 10,000	326,000	4.72%	
	10,001 - 20,000	471,000	6.83%	
	OVER 20,001	3,126,000	45.30%	57.33%
Residential	0-1,000	189,000	2.74%	
	1,001 - 10,000	2,531,000	36.68%	
	10,001 - 20,000	153,000	2.22%	
	OVER 20,001	71,000	1.03%	42.67%

Standpipe Sales		
	# of users	Average gallons per month
Non-Resident	331	318
Resident	149	366

Rate Increase Timeline

Summarized below are the necessary steps and timeline for the proposed rate increase.

Rate Increase Report to Council and General Public	April 23, 2015
Adopt Notice of Intention to Increase Water Rates	April 23, 2015
Publish Notice of Intention	April 29, 2015
Hold Public Hearing	June 11, 2015
Adopt Rate Increase	June 11, 2015
Initial Rate Increase to go into effect	July 13, 2015
Annual Inflation Adjustment to rates	Every January 1*

***Commencing January 1, 2016**

Projected Rate Increase

The schedule below summarizes the proposed rate increases.

City of Williams				
Proposed Water and Sewer Rates				
			Fiscal Year 14/15	Fiscal Year 15/16
Water	Min	Max	Current Rates	New Rates
Residential - Water				
Base Rate - Flat	0	1,000	\$10.73	\$12.73
Per 1,000 gallons	1,001	10,000	\$5.38	\$7.38
Per 1,000 gallons	10,001	20,000	\$5.66	\$7.66
Per 1,000 gallons	20,001	+	\$5.94	\$7.94
Commercial - Water				
Base Rate - Flat	0	1,000	\$10.73	\$45.73
Per 1,000 gallons	1,001	10,000	\$5.38	\$10.38
Per 1,000 gallons	10,001	20,000	\$5.66	\$10.66
Per 1,000 gallons	20,001	+	\$5.94	\$10.94
Stand Pipe Sales per 1,000 gallons - County			\$22.74	\$30.00
Stand Pipe Sales per 1,000 gallons - City			\$13.45	\$20.00
Sewer				
Residential Sewer - Flat (a)			\$34.00	\$45.00
Commercial Sewer % of Water Charge			\$34.00 or 170% of water charge (greater amount)	\$55.00 or 170% of water charge (greater amount)
Average Residential Customer (5000 gal)				
Water			\$32.00	\$42.00
Sewer			\$34.00	\$45.00
Total Average Bill			\$66.00	\$87.00
Net Increase				\$21.00
% Increase				32%
Average Commercial Customer (30000 gal)				
Water			\$175.00	\$355.00
Sewer			\$323.00	\$599.00
Total Average Bill			\$498.00	\$954.00
Net Increase				\$456.00
% Increase				92%

Based on the worksheet above, the average residential customer's bill will increase \$21.00 on July 13, 2015. The average commercial customer will see a rate increase of \$456.00 on July 13, 2015.

Annual Inflation Adjustment

The adopted water fees and schedules will be adjusted annually each January 1, starting January 1, 2016, based on the actual inflation rate. The inflation rate shall be defined as the quotient of the United States Department of Labor's Consumer Price Index for all Urban Consumers, West Urban Region, All Goods, 1982-84=100 index figure (CPI-U) for the month of January 1, 2015 for the first year or for subsequent years the CPI-U for January immediately preceding the adjustment date. The City of Williams shall periodically review the fees and may adjust them in addition to the annual inflation adjustment.

Attachment A
(as of April 15, 2015)

9-511.01. Water and wastewater business; rates; procedures; responsibility for payments

A. A municipality engaging in a domestic water or wastewater business shall not increase any water or wastewater rate or rate component, fee or service charge without complying with the following:

1. Prepare a written report or supply data supporting the increased rate or rate component, fee or service charge. A copy of the report shall be made available to the public by filing a copy in the office of the clerk of the municipality governing board at least thirty days before the public hearing described in paragraph 2.

2. Adopt a notice of intention by motion at a regular council meeting to increase water or wastewater rates or rate components, fees or service charges and set a date for a public hearing on the proposed increase that shall be held not less than thirty days after adoption of the notice of intention. A copy of the notice of intention showing the date, time and place of the hearing shall be published one time in a newspaper of general circulation within the boundaries of the municipality not less than twenty days before the public hearing date.

B. After holding the public hearing, the governing body may adopt, by ordinance or resolution, the proposed rate or rate component, fee or service charge increase or any lesser increase.

C. Notwithstanding section 19-142, subsection B, the increased rate or rate component, fee or service charge shall become effective thirty days after adoption of the ordinance or resolution.

D. Any proposed water or wastewater rate or rate component, fee or service charge adjustment or increase shall be just and reasonable.

E. Rates and charges demanded or received by municipalities for water and wastewater service shall be just and reasonable. Every unjust or unreasonable rate or charge demanded or received by a municipality is prohibited and unlawful.

F. For residential property of four or fewer units, a municipality shall not require payment of unpaid water and wastewater service rates and charges by anyone other than the person who the municipality has contracted with to provide the service, who physically resides or resided at the property and who receives or received the service. A property owner, an immediate family member of the person who does not reside at the property or any other entity, at its sole discretion, may contract for water and wastewater service with a municipality and shall provide payment.

G. For residential property of four or fewer units, a municipality shall not refuse service within the municipality's service area for the unpaid water and wastewater rates and charges to anyone other than the person who physically resided and received the service at the property. A property owner, at the owner's sole discretion, may contract for water and wastewater service with a municipality and shall provide payment for that service.

Attachment B

RESOLUTION NO. 1320

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF WILLIAMS, ARIZONA INCREASING WATER AND SEWER RATES, AND FEES FOR SERVICES RELATED TO WATER AND SEWER, TO COVER THE COSTS ASSOCIATED WITH PROVIDING WATER AND SEWER SERVICES

WHEREAS, the City's cost of providing water and sewer services to the public and citizens of Williams exceeds the current fees being charged to the public and citizens of Williams; and

WHEREAS, pursuant to Arizona Revised Statutes Annotated Section 9-511.01.(A)(1) the City staff has prepared a report which supplies data and other information supporting the increase; and

WHEREAS, pursuant to Arizona Revised Statutes Annotated Section 9-511.01.(A)(2) a notice of intention to increase water and sewer rates was published, and a public hearing was held regarding the proposed increases in rates; and

WHEREAS, Article 8-4.04 (c) of the City Code of the City of Williams requires water and sewer rates and related service fees to be adopted by the City Council by resolution.

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and the Council of the City of Williams Arizona as follows:

That the Mayor and City Council of the City of Williams hereby adopts the following schedule of rates and fees for water and sewer and related services:

MONTHLY WATER RATES

EFFECTIVE JULY 13, 2015

In-City Residential

0-1,000 Gallons:	\$12.73
1,000 - 9,999 Gallons (per 1000):	\$7.38
10,000 – 20,000 Gallons (per 1000):	\$7.66
For Each additional 1,000 Gallons	
After 20,000 Gallons	\$7.94

In-City Commercial

0-1,000 Gallons:	\$45.73
1,000 - 9,999 Gallons (per 1000):	\$10.38
10,000 – 20,000 Gallons (per 1000):	\$10.66
For Each additional 1,000 Gallons	

After 20,000 Gallons \$10.94

Stand Pipe Sales Facility

Cost per 1,000 Gallons- Non-Resident \$30.00
Cost per 1,000 Gallons – City Resident \$20.00

Monthly Sewer Rates

EFFECTIVE JULY 13, 2015

Residence \$45.00
Commercial 170% of water charge (\$55.00 min.)

Emergency Water Rates (Water Hauling)

Up to \$0.03 (three cents) per gallon, less any contributions from federal or state authorities. (Such rate shall be the actual cost to the City of Williams to pay for the water, including all hauling fees, and shall not exceed \$0.03 per gallon).

WHEREAS, future fees will be adjusted annually each January 1, starting January 1, 2016, based on the actual inflation rate. The inflation rate shall be defined as the quotient of the United States Department of Labor’s Consumer Price Index for all Urban Consumers, West Urban Region, All Goods, 1982-84=100 index figure (CPI-U) for the month of January 1, 2015 for the first year or for subsequent years the CPI-U for January immediately preceding the adjustment date. The City of Williams shall periodically review the fees and may adjust them in addition to the annual inflation adjustment.

PASSED, APPROVED AND ADOPTED THIS 11th day of JUNE, 2015 by a vote of _____ () in favor and _____ () opposed.

John Moore, Mayor

Attest:

Susan Kerley, City Clerk

Attachment C

City of Williams, Arizona						
Utility Fund & Electric Fund Debt Service Requirements						
Fiscal Years 2015 - 2019						
		2014-15	2015-16	2016-17	2017-18	2018-19
		Actual	Projected	Projected	Projected	Projected
Debt Service	Projects					
2002 MDA*	Water					
1998 WIFA	Sewer I&I	178,828	178,343	177,844		
2000 WIFA	Water Wells	230,848	230,848	230,848	230,848	230,848
2003 GADA**	Water Plant					
2014 GADA	Refinance	141,386	238,435	237,877	240,436	237,876
2006 WIFA DW	Water Plant	109,795	109,795	109,795	109,795	109,795
2006 WIFA CW	Sewer I&I Refinance	310,177	578,072	578,071	578,071	625,670
2007 WIFA CW	Sewer WWTP	495,445	495,444	495,445	495,445	495,445
2011 ZIONS	Refinance	66,729	66,524	68,090	65,477	68,414
2015 WIFA DW	Well & Meter	85,947	89,285	89,285	89,285	90,817
APS Electric	Substation	450,000	300,000	300,000	400,000	
Total Debt Service		2,069,155	2,286,746	2,287,255	2,209,357	1,858,865
* 2002 MDA was paid off in 2012						
** 2003 GADA was refinanced by GADA 2014						
		1,619,155	1,986,746	1,987,255	1,809,357	1,858,865